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DIRECTORATE OF  
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# *Central Intelligence Bulletin*

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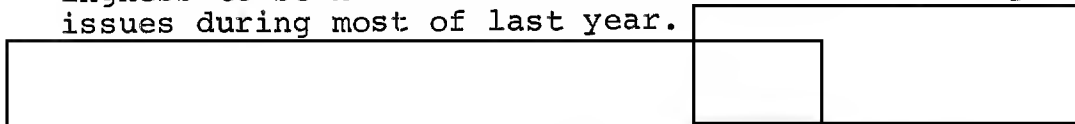
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CHILE: The Allende government is retaliating against the Christian Democratic Party for its more vigorous opposition in recent weeks.

It has charged several officials of the former Frei administration with criminal fraud in credit operations used to raise money for Christian Democratic candidate Tomic in the 1970 presidential campaign. Some have been arrested. The party is vulnerable to the charges, although such means of lining campaign chests by governing parties have not been unusual in Chile. This vulnerability has been one factor in the Christian Democrats' willingness to seek accommodation with Allende on many issues during most of last year.



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Allende's failure to influence the Christian Democrats to drop impeachment proceedings against Interior Minister Toha and government defeats in recent by-elections probably precipitated the decision to move openly against the major opposition party. Another factor was pressure from extremist leaders of Allende's Socialist Party. These men, who are vying for a dominant role in the government's Popular Unity Coalition, are increasingly impatient with government policies they regard as too cautious.



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NORTH KOREA: Kim Il-sung has spelled out more clearly his terms for a Korean settlement.

In an interview published in a Japanese Socialist paper on 26 January, which has just become available, Kim called for an "immediate" peace agreement with the South prior to the withdrawal of US troops. This formulation sharply departs from Pyongyang's previous demand that an American troop pull-out must precede any agreement with Seoul and erases the ambiguity on this question that marked Kim's much-heralded statement to another Japanese newspaper on 10 January.

The latest North Korean statement also called for peace talks with the South and clearly offered for the first time to deal on a bilateral basis with the South Korean Government. These are also departures from previous North Korean statements and, taken together, are designed to make Pyongyang appear more reasonable and flexible.

While North Korea almost certainly does not anticipate any positive response from the South at this stage, it may calculate that such a forthcoming position eventually will increase pressures on South Korea to enter political discussions, either at the Red Cross talks or elsewhere. In the interim, the North Koreans can use their more moderate position to improve their international standing and undercut the South in the United Nations. Kim used the interview to spell out in detail Pyongyang's negative attitude toward the UN, but also indicated that there is some flexibility in its position. He stated that North Korea's "final" policy on the UN had not yet been determined and carefully avoided any implication that Pyongyang would refuse to attend the annual UN debate on Korea this fall.

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SOUTH KOREA: Seoul is moving to alleviate the balance-of-payments problem and to counter rising domestic prices.

A new program to be announced on 14 February will place heavy emphasis on reducing the growth in imports. A 20-percent jump in imports last year resulted in a record trade deficit of \$1.1 billion. The government hopes to accomplish this by substantially raising tariffs and by boosting interest rates on import financing. At the same time Seoul is seeking more foreign aid from the US and Japan.

To cope with rising prices the government already is restricting credit expansion and further tightening is expected. Consumer prices increased 14 percent in the first three quarters of 1971 and, although this rate of inflation is not excessive for a country growing as fast as South Korea, it creates some unrest among workers whose wages rise more slowly than prices.

Despite nagging problems, the current government forecast that over-all economic growth in 1972 will approach last year's ten-percent level appears attainable. Export prospects have been enhanced by Seoul's continued pegging of its currency to the devalued dollar, giving it a further edge over two of its major competitors--Japan and Hong Kong. Moreover, Seoul periodically has devalued its currency to combat the ill effects of inflation on its competitive international position. Nonetheless, the country will continue to be heavily dependent on foreign capital and any prolonged political disruptions would seriously hurt the nation's favorable climate for foreign investment.

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USSR-SUDAN: The acceptance of a Soviet ambassador by the Sudan probably reflects the success of Egyptian and Libyan lobbying on Moscow's behalf with President Numayri.

Egyptian Foreign Minister Ghalib visited Khartoum in January and encouraged Numayri to mend his fences with the USSR, and Libya's President Qadhafi apparently carried the same message on his visit earlier this month. Numayri's regime is divided between a pro-Egyptian faction and a nationalist clique, and his acceptance of the Soviet ambassador indicates he may be leaning to the former at this time.

The Soviets and the Sudanese had withdrawn their ambassadors in August, following the abortive coup by Communist military officers in Khartoum and the consequent crackdown on the Sudanese Communist Party. The Soviets wanted to name a new ambassador last fall in order to repair damaged relations, but the Sudanese apparently rebuffed this overture. The new ambassador, Vladimir Porfirievich Polyakov, has previously served as counselor at the Soviet embassies in Syria and Egypt.

Soviet military and economic aid has come to a standstill since last July and this also may have influenced Khartoum's acceptance of Polyakov. Numayri has successfully lined up substantial economic aid from China and Romania but may be concerned about obtaining spare parts for his military equipment, more than half of which is Soviet-supplied. Moscow previously provided the Sudanese with advanced weapons such as MIG-21s and SA-2s.

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BOLIVIA: The Catholic Church has defended a two-day hunger strike by relatives of political prisoners as a legitimate means of inducing the government to "comply with elementary human rights" and has officially asked the Banzer regime to speed up the processing of detainees.

Many political prisoners have, in fact, recently been released. Several hundred others will be exiled if the government can persuade other countries to offer them asylum.

Some of the detainees have been held since last August, while others have been picked up in the government's continuing campaign against leftists. Public clamor for movement on the detainee issue has been building, and the government has responded by promising to expedite its investigations and free individuals whose "offenses" are not serious. The regime has stressed, however, that former participants in guerrilla activities will receive neither freedom nor leniency.

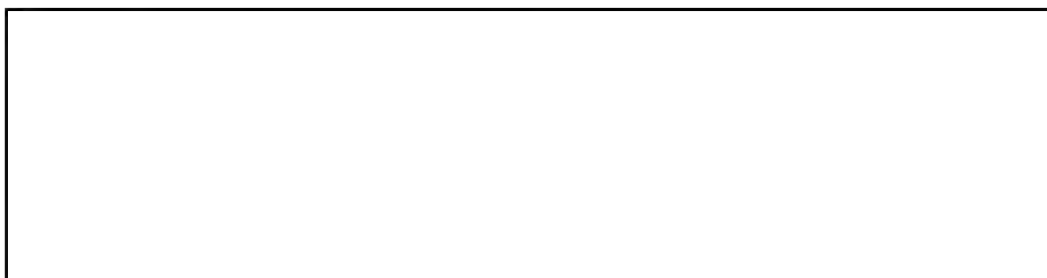
Under some pressure from its congregations and fearful that leftist clergymen might use the issue to disrupt and embarrass the Church, the traditionally conservative Church hierarchy has now strongly backed those seeking the prisoners' release. The archbishop of La Paz reportedly warned that anyone forcing his way into the Church where the hunger strike was held would be automatically excommunicated.

The interior minister has again promised to accelerate legal processing [and has reportedly stated that following interviews with the prisoners which will begin next week, he expects to retain only about 70 in custody. The government will probably continue to stall for time, while attempting to refocus public attention on the machinations of leftist exiles in Chile.] With the Church's intervention, however, the government will be under intense pressure to come up with a solution to the prisoner problem. [REDACTED]

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UGANDA: President Amin shows little sign of reducing heavy military spending, despite the country's serious economic situation.



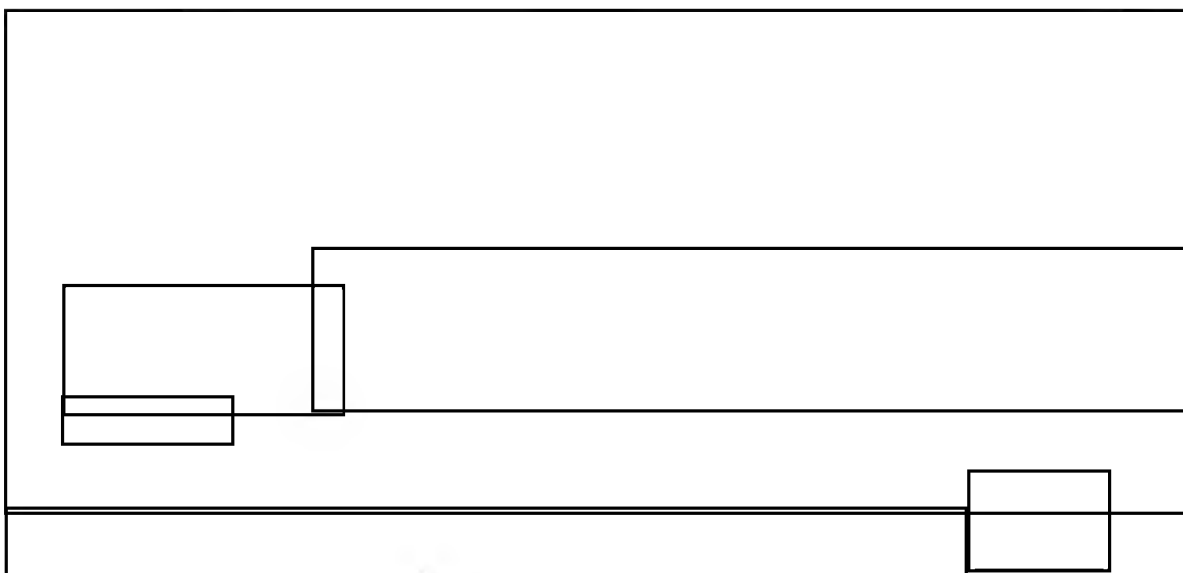
The year-end balance sheet of the Bank of Uganda revealed last month just how far the economy has deteriorated. Net foreign exchange reserves fell in 1971 from \$54 million to \$9 million. An estimated additional \$9 million held by commercial banks gives Uganda only enough reserves to sustain about five weeks of imports. Moreover, bank loans last year for government expenditures reached \$97 million, more than double that of the previous year.

The Kampala Government has taken some steps to alleviate its financial woes. It has introduced foreign exchange and import restrictions and asked Britain to reschedule its debt. Nevertheless, the government does not appear ready to attack the root of its problem--mounting budget expenditures, especially by the defense ministry.

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ITALY: Premier-designate Andreotti has been asked to make another effort to form a government, but President Leone probably will dissolve parliament, appoint a caretaker cabinet and call for general elections this spring, a year early. Center-left leaders reportedly are debating the party composition of a caretaker government for the interim. The Christian Democrats would like to make up a single party government. The two Socialist parties reportedly are demanding inclusion, however, because their position within the government would enhance their electoral prospects.

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URUGUAY: The economic problems that will face the new government to be inaugurated 1 March were intensified by an estimated 13-percent pay hike for public employees granted by President Pacheco in his last month in office. This followed a 15-percent boost on 1 January. Because wages absorb about three-fifths of the budget, the new pay schedule is likely to more than double the already substantial government deficit as well as influence wage demands by the largely unionized private sector. It also will help to boost the rate of inflation, which was 36 percent in 1971, contributing to a further worsening of Uruguay's export performance and poor economic growth record.

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